



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LEE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable L. C. Reese, Lee County Judge/Executive

Honorable E. T. Kash, Former Lee County Judge/Executive

Members of the Lee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Lee County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Lee County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Lee County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Lee County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable L. C. Reese, Lee County Judge/Executive
Honorable E. T. Kash, Former Lee County Judge/Executive
Members of the Lee County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Lee County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$107,183 As Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 1999 on our consideration of Lee County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 31, 1999

LEE COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

L. C. Reese	County Judge/Executive
Thomas Jones	County Attorney
Russell Stamper	County Clerk
Emma Lou Adams	Circuit Court Clerk
Charles Kilburn	Sheriff
Danny Townsend	Jailer
Gary Lutes	Property Valuation Administrator
Glenna Mayes	County Treasurer
Emmett Daughtery	Coroner
Eddie Ray Cornett	Magistrate
Danny Howard	Magistrate
Ronnie Paul Begley	Magistrate
Billy Joe Coomer	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

LEE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:

Cash	\$ 38,568
------	-----------

Road and Bridge Fund:

Cash	129,639
------	---------

Jail Fund:

Cash	9,586
------	-------

Local Government Economic Assistance Fund:

Cash	81
------	----

Ambulance Fund:

Cash	39,557
------	--------

Investments	10,000
-------------	--------

Accounts Receivable (Note 5)	301,677
------------------------------	---------

Solid Waste Fund:

Cash	2,905
------	-------

Governor's Surplus, Regional Jail Fund:

Cash	62,061
------	--------

Other Resources

Amounts to be Provided for in the Future

Public Service Corporation-Principal on Land	24,653
--	--------

Total Assets and Other Resources	\$ 618,727
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The accompanying notes are an integral part of the financial statements.

LEE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1999
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Due to Judge/Executive for Additional Salary	\$ 36,628
--	-----------

Ambulance Fund:

Deferred Revenue	301,677
------------------	---------

Public Service Corporation-Principal on Land (Note 6)	24,653
---	--------

Fund Balances

Reserved:

Ambulance Fund	49,557
----------------	--------

Solid Waste Fund	2,905
------------------	-------

Governor's Surplus, Regional Jail Fund	62,061
--	--------

Unreserved:

General Fund	1,940
--------------	-------

Road and Bridge Fund	129,639
----------------------	---------

Jail Fund	9,586
-----------	-------

Local Government Economic Assistance Fund	81
---	----

Total Liabilities and Fund Balances	<u>\$ 618,727</u>
-------------------------------------	-------------------

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LEE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 2,164,717	\$ 563,520	\$ 801,350	\$ 36,525
Transfers In	246,503	108,345	25,000	113,158
Kentucky Advance Revenue Program	359,235	179,470	179,765	
Total Cash Receipts	<u>\$ 2,770,455</u>	<u>\$ 851,335</u>	<u>\$ 1,006,115</u>	<u>\$ 149,683</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,065,671	\$ 557,845	\$ 710,779	\$ 140,858
Transfers Out	246,503	90,282	108,343	
Lease-Purchase Agreement: Principal Paid	41,150	9,150	32,000	
Kentucky Advance Revenue Program Repaid	359,235	179,470	179,765	
Total Cash Disbursements	<u>\$ 2,712,559</u>	<u>\$ 836,747</u>	<u>\$ 1,030,887</u>	<u>\$ 140,858</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 57,896	\$ 14,588	\$ (24,772)	\$ 8,825
Cash Balance - July 1, 1998*	<u>234,501</u>	<u>23,980</u>	<u>154,411</u>	<u>761</u>
Cash Balance - June 30, 1999*	<u>\$ 292,397</u>	<u>\$ 38,568</u>	<u>\$ 129,639</u>	<u>\$ 9,586</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

LEE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1999
(Continued)

Local Government Economic Assistance Fund	Ambulance Fund	Community Block Development Grant Fund	Solid Waste Fund	Governor's Surplus Regional Jail Fund
\$ 76,224	\$ 597,743	\$ 18,604	\$ 8,690	\$ 62,061
<u>\$ 76,224</u>	<u>\$ 597,743</u>	<u>\$ 18,604</u>	<u>\$ 8,690</u>	<u>\$ 62,061</u>
\$ 28,839 47,878	\$ 600,059	\$ 18,894	\$ 8,397	\$
<u>\$ 76,717</u>	<u>\$ 600,059</u>	<u>\$ 18,894</u>	<u>\$ 8,397</u>	<u>\$ 0</u>
\$ (493) 574	\$ (2,316) 51,873	\$ (290) 290	\$ 293 2,612	\$ 62,061 0
<u>\$ 81</u>	<u>\$ 49,557</u>	<u>\$ 0</u>	<u>\$ 2,905</u>	<u>\$ 62,061</u>

LEE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Lee County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Ambulance Fund and Public Service Corporation as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Lee County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

LEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of July 21, 1998, the uncollateralized amount on deposit was \$107,183. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. As of June 30, 1999, deposits were fully insured or collateralized.

LEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of July 21, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 800,000
Uncollateralized and uninsured	<u>107,183</u>
Total	<u><u>\$ 907,183</u></u>

Note 4. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

General Fund:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Roof	04/01/1995	10/1/02	5.85%	\$ 22,500
Air Conditioning	02/15/1996	8/15/03	5.85%	\$ 18,457

Road and Bridge Fund:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
KACO- Grader	02/01/1995	2/1/05	5.85%	\$ 65,000
KACO- Truck and Backhoe	07/18/1997	2/1/07	5.85%	\$ 54,000
KACO- Road Paving	12/20/1992	12/20/02	5.85%	\$ 45,000

Note 5. Accounts Receivable

The county has \$301,677 of accounts receivable in the Ambulance Fund. These accounts receivable are comprised of customer billings.

LEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 6. Public Service Corporation- Note Payable

The Public Service Corporation assumed a loan balance of \$40,085 from the Kentucky Mountain Farms Co-Op due the Kentucky River Point Development Fund Corporation. The Co-Op deeded the real estate property to the Public Service Corporation on May 2, 1990. The property was originally purchased with Community Development Block Grant proceeds of \$200,000 from Lee County Fiscal Court. The Fiscal Court maintains their mortgage position on the property. The Public Service Corporation is to pay \$500 per month until the loan is paid in full. The balance of the loan as of June 30, 1999 was \$24,653.

Note 7. Insurance

For the fiscal year ended June 30, 1999, Lee County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

LEE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 738,005	\$ 563,520	\$ (174,485)
Road and Bridge Fund	960,078	801,350	(158,728)
Jail Fund	141,783	36,525	(105,258)
Local Government Economic Assistance Fund	28,844	76,224	47,380
Ambulance Fund	628,170	597,743	(30,427)
Community Block Development Grant Fund	22,319	18,604	(3,715)
Solid Waste Fund	11,506	8,690	(2,816)
Governor's Surplus Regional Jail Fund	62,000	62,061	61
Total	<u>\$ 2,592,705</u>	<u>\$ 2,164,717</u>	<u>\$ (427,988)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,592,705
Add: Budgeted Prior Year Surplus			85,000
Less: Other Financing Uses			<u>(407,251)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,270,454</u>

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SCHEDULE OF OPERATING REVENUE

LEE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 266,700	\$ 266,700	\$	\$
Excess Fees - 1998	7,261	7,261		
Fire Protection	446	446		
County Clerk:				
Deed Transfer Tax	4,329	4,329		
Delinquent Taxes	7,939	7,939		
Excess Fees - 1998	1,152	1,152		
Tangible Personal Property Taxes:				
Other Counties	8,964	8,964		
County Clerk	46,897	46,897		
Franchise Tax	26,698	18,730		
In Lieu of Taxes	4,593	4,593		
Totals	<u>\$ 374,979</u>	<u>\$ 367,011</u>	<u>\$ 0</u>	<u>\$ 0</u>

Federal Receipts - State Treasurer

Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$ 4,046	\$ 4,046	\$	\$
Community Development Block				
Grant - Senior Citizens	18,604			
Disaster and Emergency Assistance				
Grant - 1997 Flood Relief	27,339		27,339	
Ambulance Grant - HB66 Monies	16,856			
National Forestry Receipts	4,985		4,985	
Totals	<u>\$ 71,830</u>	<u>\$ 4,046</u>	<u>\$ 32,324</u>	<u>\$ 0</u>

Kentucky State Treasurer

Jail:				
Allotments	\$ 30,540	\$	\$	\$ 30,540
Medical Allotments	2,685			2,685
Driving Under The Influence Fees	932			932
Court Costs, Jail Operation	1,751			1,751
Juvenile Housing	460			460

LEE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

Local Government Economic Assistance Fund	Ambulance Fund	Community Block Development Grant Fund	Solid Waste Fund	Governor's Surplus Regional Jail Fund
\$	\$	\$	\$	\$
			7,968	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,968</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$
		18,604		
	16,856			
<u>\$ 0</u>	<u>\$ 16,856</u>	<u>\$ 18,604</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$

LEE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer (Continued)</u>				
County Road Aid	\$ 494,869	\$	\$ 494,869	\$
Truck License Distribution	161,449		161,449	
Election Expenses Reimbursement	5,100	5,100		
Strip Mine Permits	2,850	2,850		
Courthouse Rental - Administrative Office of the Courts	73,717	73,717		
Refunds:				
Legal Process Tax	53	53		
Drivers Licenses	685		685	
Dog Licenses	117	117		
Severance Taxes:				
Coal Impact	28,844			
Mineral	47,244			
Board of Assessments	650	650		
Grants:				
State (Area Development Fund)	62,000			
Transportation Cabinet	94,599		94,599	
Totals	<u>\$ 1,008,545</u>	<u>\$ 82,487</u>	<u>\$ 751,602</u>	<u>\$ 36,368</u>
<u>Miscellaneous Revenue</u>				
Interest	\$ 21,905	\$ 7,281	\$ 12,942	\$
Ambulance Fees	574,601			
Surplus Properties Sales	36,000	36,000		
Law Library Fees	176	176		
Rentals and Leases	3,725	3,725		
911 Fees	37,081	37,081		
Miscellaneous Receipts	35,875	25,713	4,482	157
Totals	<u>\$ 709,363</u>	<u>\$ 109,976</u>	<u>\$ 17,424</u>	<u>\$ 157</u>
Total Operating Revenue	<u>\$ 2,164,717</u>	<u>\$ 563,520</u>	<u>\$ 801,350</u>	<u>\$ 36,525</u>

LEE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

Local Government Economic Assistance Fund	Ambulance Fund	Community Block Development Grant Fund	Solid Waste Fund	Governor's Surplus Regional Jail Fund
\$	\$	\$	\$	\$
28,844				
47,244				
				62,000
<u>\$ 76,088</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,000</u>
\$ 136	\$ 1,485	\$	\$	\$ 61
	574,601			
	4,801		722	
<u>\$ 136</u>	<u>\$ 580,887</u>	<u>\$ 0</u>	<u>\$ 722</u>	<u>\$ 61</u>
<u><u>\$ 76,224</u></u>	<u><u>\$ 597,743</u></u>	<u><u>\$ 18,604</u></u>	<u><u>\$ 8,690</u></u>	<u><u>\$ 62,061</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

LEE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 41,214	\$ 41,211	\$ 3
Secretaries	2,922	2,921	1
Advertising	6,800	6,760	40
Training	500	116	384
Office Materials and Supplies	5,106	5,021	85
New Office Equipment	200	200	
Telephone	17,900	17,852	48
Travel	500	493	7
Office of County Attorney:			
Salaries-			
County Attorney	11,000	11,000	
Secretaries	3,690	3,690	
Office of County Clerk:			
Deputies Salaries	9,015	9,014	1
PVA Copies of Deeds	200	65	135
Tax Bill Preparation	2,031	2,031	
Office of Sheriff:			
Deputies Salaries	28,350	28,307	43
Bond	1,500	1,477	23
Tax Bill Postage	1,824	1,824	
Office of County Coroner:			
Salaries-			
County Coroner	4,800	4,334	466
Deputy Coroner	2,100	2,100	
Office Materials and Supplies	100	85	15
Travel	300	146	154

LEE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Fiscal Court:			
Magistrates-			
Salaries	\$ 32,000	\$ 31,307	\$ 693
Bonds	1,635	1,634	1
Office of Property Valuation Administrator:			
Statutory Contribution	5,000	4,931	69
Program Support	1,600	1,600	
Office of Board of Assessment Appeals:			
Per Diem	1,300	1,300	
Office of County Treasurer:			
County Treasurer Salary	12,480	12,480	
Bond	2,015	1,726	289
Office Materials and Supplies	300	193	107
Office of County Finance Director:			
County Finance Director Salary	23,710	23,710	
County Law Library:			
Law Librarian Salary	1,200	1,198	2
Periodicals	700	636	64
Elections:			
Per Diem-			
Election Commissioners	6,660	6,660	
Election Officers	6,690	6,336	354
Materials and Supplies	11,650	11,564	86
Printing and Advertising	400	400	
Polling Places	1,850	1,652	198
New Voting Machines			

LEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Courthouse:			
Janitor Salary	\$ 17,325	\$ 17,220	\$ 105
Maintenance and Repairs	11,419	9,856	1,563
Parking Lot Rental	4,200	4,200	
Janitorial Services	4,872	4,790	82
Insurance	19,020	19,020	
Materials and Supplies	4,510	3,950	560
Utilities	28,970	28,888	82
Other County Properties:			
Rental	1,085	1,085	
Utilities	2,400	2,057	343
Asphalt	200		200
Contract Services	200	200	
<u>Protection to Persons and Property</u>			
MKRADC, Inc. Program			
Contributions	6,550	6,527	23
Forestry:			
Contributions	2,100	2,100	
County Rescue Squad:			
Contributions	800	350	450
Vehicle	1,800	1,800	
County Fire Department:			
Contributions	7,200	5,349	1,851
Utilities	3,850	3,744	106

LEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Disaster and Emergency Services:			
Director Salary	\$ 5,285	\$ 5,200	\$ 85
Office Materials and Supplies	600	532	68
Travel	400	295	105
911 Services:			
Equipment	24,195	24,115	80
Maintenance and Repairs	400		400
Materials and Supplies	2,200	1,889	311
Signs	600	239	361
Office of Public Defender:			
Contribution	1,000	928	72
<u>General Health and Sanitation</u>			
Dog Control:			
Contribution	14,200	14,183	17
<u>Social Services</u>			
City of Beattyville:			
Contribution - Fireworks	250	250	
Senior Citizens Program:			
Contribution	3,250	3,250	
Bus Driver	1,200	1,082	118
Parks:			
Construction Projects	2,280	2,280	
Solid Waste:			
Services	898	898	

LEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u> (Continued)			
<u>Social Services</u> (Continued)			
Services to Children and Youth:			
Contribution	\$ 300	\$ 300	\$
Cemeteries and Memorials:			
Pauper Burials	750	750	
General Charity and Welfare:			
Victims Assistance	2,700	2,316	384
Jail Medical	300	259	41
Jail Lodging	5,525	5,525	
<u>Debt Service</u>			
KARP:			
Interest	3,932	3,926	6
Other County Liabilities:			
Interest	1,620	825	795
Lease-Purchase Agreements	2,644	2,642	2
<u>Capital Project</u>			
Capital Project:			
Evaluation	1,887	1,887	
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	61		61

LEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
General Services:			
Audits	\$ 12,876	\$ 12,830	\$ 46
Reimbursements-			
Government Agencies	46,242	46,242	
Dues-			
KY River RC & D	300		300
KRADD	4,850	4,845	5
KACO	800	800	
KY Tourism Council Membership	465	465	
Miscellaneous	1,092	2,827	(1,735)
Fringe Benefits:			
County Contributions-			
Social Security	27,583	26,877	706
Retirement	28,365	28,278	87
Worker's Compensation	4,215	4,000	215
Unemployment Insurance	377		377
Total Operating Budget	\$ 569,385	\$ 557,845	\$ 11,540
Other Financing Uses:			
Lease-Purchase Agreement			
Principal	9,150	9,150	
Kentucky Advance Revenue Program-			
Principal	179,470	179,470	
Total General Fund	\$ 758,005	\$ 746,465	\$ 11,540

ROAD AND BRIDGE FUND

Transportation Facilities and Services

Road Facilities:			
County Garage			
Insurance and Repairs	\$ 20,000	\$ 19,290	\$ 710
Tank Removal	3,500	3,500	
Utilities	6,005	5,959	46

LEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Transportation Facilities and Services</u> (Continued)			
Road Maintenance:			
Salaries-			
Road Foreman	\$ 18,240	\$ 18,236	\$ 4
Road Labor	98,260	90,091	8,169
Contracted Services	129,831	127,989	1,842
Asphalt	226,482	207,576	18,906
Culverts	10,975	10,941	34
Crushed Stone and Gravel	81,049	53,061	27,988
Diesel Fuel	14,450	13,050	1,400
Machinery and Equipment-			
Repairs	38,125	38,122	3
New Road Machinery	10,209	9,403	806
Materials	25,340	23,408	1,932
Radio Tower Rental	720	720	
Bridge Replacement	31,574	28,200	3,374
Slide Repair	10,000	9,649	351
Miscellaneous	1,000	542	458
National Forest Services Receipts/Schools:			
Contribution	3,320	2,493	827
<u>Debt Service</u>			
KARP:			
Interest	7,461	3,933	3,528
Other County Liabilities:			
Lease-Purchase Agreements	10,877	9,050	1,827
<u>Administration</u>			
General Services:			
Applicant's Agent	4,670	4,670	

LEE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 8,200	\$ 7,973	\$ 227
Social Security	8,395	8,293	102
Worker's Compensation	10,215	10,215	
Unemployment Insurance	<u>4,415</u>	<u>4,415</u>	
Total Operating Budget	\$ 783,313	\$ 710,779	\$ 72,534
Other Financing Uses:			
Lease-Purchase Agreements-			
Principal	32,000	32,000	
Kentucky Advance Revenue Program-			
Principal	<u>179,765</u>	<u>179,765</u>	
Total Road and Bridge Fund	<u>\$ 995,078</u>	<u>\$ 922,544</u>	<u>\$ 72,534</u>

JAIL FUND

Protection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 21,001	\$ 21,000	\$ 1
Jail Personnel	7,216	7,007	209
Operations-			
Food	700	581	119
Gasoline	3,150	3,112	38
Office Supplies	250	196	54
Routine Medical	6,065	5,927	138
Staff Travel	100	65	35
Other Contracted Services	1,258	1,258	
Utilities	100	75	25
Uniforms	200	190	10
Vehicle Maintenance	3,227	3,181	46

LEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>JAIL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Office of Jailer: (Continued)			
Operations- (Continued)			
Housing Prisoners - Other Counties	\$ 90,003	\$ 89,928	\$ 75
Housing Juveniles Prisoners - Other Counties	4,363	4,323	40
Telephone	137	84	53
Miscellaneous Operating Expense	100	93	7
<u>Administration</u>			
General Services:			
Dues	50	50	
Fringe Benefits:			
County Contributions-			
Retirement	1,800	1,726	74
Social Security	2,063	2,062	1
Total Jail Fund	<u>\$ 141,783</u>	<u>\$ 140,858</u>	<u>\$ 925</u>
LOCAL GOVERNMENT ECONOMIC <u>ASSISTANCE FUND</u>			
<u>Roads</u>			
Road Maintenance:			
Contracted Services	\$ 181	\$ 180	\$ 1
Crushed Stone and Gravel	24,643	24,639	4
Other Supplies	4,020	4,020	
Total Local Government Economic Assistance Fund	<u>\$ 28,844</u>	<u>\$ 28,839</u>	<u>\$ 5</u>

LEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>AMBULANCE FUND</u>			
Ambulance Office:			
Salaries-			
Director	\$ 15,880	\$ 15,872	\$ 8
Dispatchers	30,900	30,854	46
EMTs and Drivers	320,600	304,922	15,678
Accounting and Billing Service	38,300	33,070	5,230
Building Insurance	9,500	9,500	
Utilities	6,000	5,760	240
Custodian Personnel	4,000	2,678	1,322
Ambulance Service:			
Ambulance	50,000	49,201	799
Gasoline, Oil, Lubricants	19,600	15,423	4,177
Communications/Radios	2,000	1,847	153
Tires	3,000	2,745	255
Uniform Allowance	6,350	6,219	131
Medical Services	1,000	350	650
Medical Supplies	15,950	15,736	214
Training	1,500	1,151	349
Radio Maintenance and Repair	3,500	3,483	17
Ambulance Maintenance and Repair	26,000	23,145	2,855
Computer	9,225	9,225	
Miscellaneous	2,100	1,475	625
<u>Debt Service</u>			
Lease-Purchase:			
Interest	2,100		2,100
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Budget Transfers	7,902		7,902

LEE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>AMBULANCE FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 29,510	\$ 23,668	\$ 5,842
Social Security	27,165	26,001	1,164
Worker's Compensation	13,622	12,310	1,312
Unemployment Insurance	<u>5,600</u>	<u>5,424</u>	<u>176</u>
Total Operating Budget	\$ 651,304	\$ 600,059	\$ 51,245
Other Financing Uses:			
Lease-Purchase Agreement			
Principal	<u>6,866</u>		<u>6,866</u>
Total Ambulance Fund	<u>\$ 658,170</u>	<u>\$ 600,059</u>	<u>\$ 58,111</u>
<u>COMMUNITY BLOCK DEVELOPMENT GRANT FUND</u>			
Senior Citizens Renovation	<u>\$ 22,319</u>	<u>\$ 18,894</u>	<u>\$ 3,425</u>
<u>SOLID WASTE FUND</u>			
<u>Administration</u>			
General Services:			
Coordinator's Salary	\$ 6,760	\$ 6,760	\$
Conferences and Training	375		375
Travel	300		300
Contract Services	1,045	1,040	5
Contingent Appropriations:			
Reserve for Budget Transfers	1,566		1,566

LEE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>SOLID WASTE FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 532	\$ 70	\$ 462
Social Security	528	527	1
Unemployment Insurance	330		330
Worker's Compensation	70		70
Total Solid Waste Fund	<u>\$ 11,506</u>	<u>\$ 8,397</u>	<u>\$ 3,109</u>
 <u>GOVERNOR'S SURPLUS REGIONAL JAIL FUND</u>			
Regional Jail	<u>\$ 62,000</u>	<u>\$ 0</u>	<u>\$ 62,000</u>
Total Operating Budget - All Funds	<u>\$ 2,270,454</u>	<u>\$ 2,065,671</u>	<u>\$ 204,783</u>
Other Financing Uses:			
Lease-Purchase Agreement			
Principal	48,016	41,150	6,866
Kentucky Advance Revenue Program-			
Principal	<u>359,235</u>	<u>359,235</u>	
TOTAL BUDGET - ALL FUNDS	<u><u>\$ 2,677,705</u></u>	<u><u>\$ 2,466,056</u></u>	<u><u>\$ 211,649</u></u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable L. C. Reese, Lee County Judge/Executive
Honorable E. T. Kash, Former Lee County Judge/Executive
Members of the Lee County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Lee County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated August 31, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable L. C. Reese, Lee County Judge/Executive
Honorable E. T. Kash, Former Lee County Judge/Executive
Members of the Lee County Fiscal Court
Report On Compliance And On Internal Control Over Financial
Reporting Based On An Audit Of Financial Statements Performed
In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 31, 1999

COMMENT AND RECOMMENDATION

LEE COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 1999

NONCOMPLIANCES

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$107,183 As Collateral To Protect Deposits

On July 21, 1998, \$107,183 of the county's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Management's Response:

None.

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**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

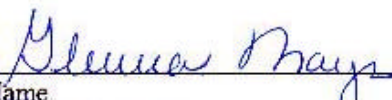
LEE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LEE COUNTY FISCAL COURT

The Lee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

✓ 
Name
County Judge/Executive


Name
County Treasurer